

# Change of Control Payment

CareFirst

Executives with Contracts or COC	\$	Payment Triggers
Multiple of Salary plus Annual Incentive	\$ 13,128,207	Double Trigger upon COC/Termination
Pro-rated Current Year Incentive	<u>\$ 416,061</u>	Double Trigger upon COC/Termination
Subtotal COC Cash Payments	\$ 13,544,268	
Personal & Health Benefits	<u>\$ 514,957</u>	Double Trigger upon COC/Termination
Total COC Cash & Benefits	\$ 14,059,225	

- Contractual Obligation Includes Payment of Excise Tax and Related Gross-Up.*
- Pays Out Upon Termination in Connection with a Change of Control and Substantial Diminution of Duties*

OCC 016533



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# Critical Deal Points - By Category

## Pacific vs. CareFirst

- Associate Benefits
- Retention Bonus
- Merger Incentive and Excise Tax

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# Associate Benefit Differences

CareFirst

## Incentives

- Does Not Offer Incentives to Lower Level Associates

## Health

- Less Benefits with Prices Significantly Higher

## Time Off

- Shorter Service associates to receive 3 additional days PTO
- Work Week extended to 40 hours (from 37.5)
- Disability Benefits Less

## Retirement

- Does Not Recognize Regional Differences in Retirement Benefits
- Overall Retirement Package 25-50% Lower than CareFirst
- No Retiree Medical Benefits
- Stock Purchase Plan
- Occasional Stock Grants to Reward Profitability in 401(k) Plan



# Impact on Associates

# CareFirst

## Less than Age 45

## Age 45 or Greater

Less than 10 Yrs of Svc

**47% of Total Associates**  
**Average Associate:**  
 \$34,000 Annual Salary  
 Age 32 w/ 3 Yrs of Svc

**12% of Total Associates**  
**Average Associate:**  
 \$48,500 Annual Salary  
 Age 50 w/ 3.5 Yrs of Svc

Health: (94)  
 Paid Time Off: 28  
 Retirement: (8)  
 Incentives: (113)

Health: (94)  
 Paid Time Off: (6)  
 Retirement: (168)  
 Incentives: (243)

(187) -7% of pay

(510) -13% of pay

10 or More Yrs of Svc

**21% of Total Associates**  
**Average Associate:**  
 \$49,000 Annual Salary  
 Age 39 w/ 14.5 Yrs of

**20% of Total Associates**  
**Average Associate:**  
 \$58,000 Annual Salary  
 Age 51 w/ 20.5 Yrs of

Health: (94)  
 Paid Time Off: (6)  
 Retirement: 1  
 Incentives: (245)

Health: (94)  
 Paid Time Off: (7)  
 Retirement: (188)  
 Incentives: (387)

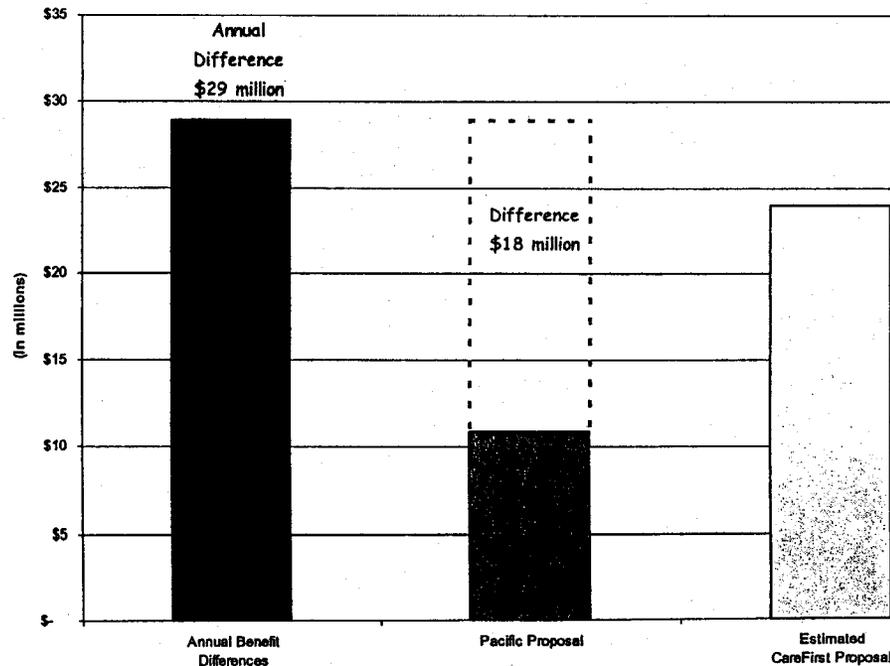
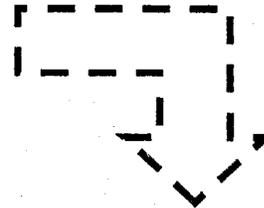
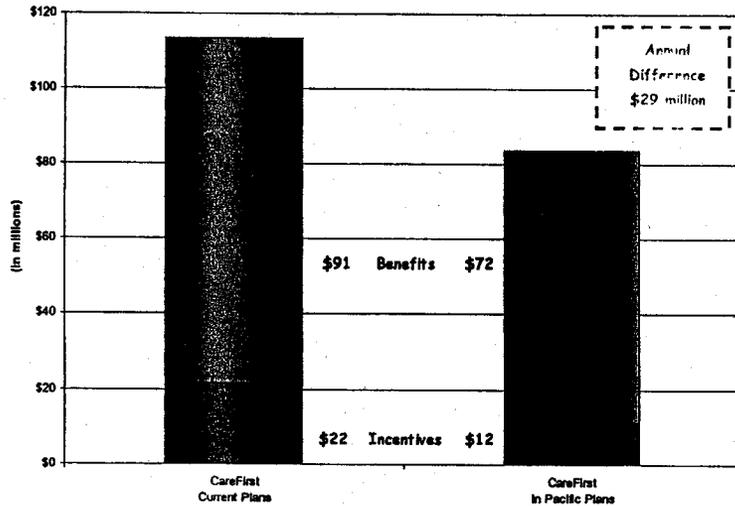
(344) -8% of pay

(676) -14% of pay



# Annual Benefit Differences

CareFirst



**CareFirst Proposal (in Health Benefits)**

• Increase  
 • Lower Reimbursement  
 • Increase

## CareFirst Proposals

- Formalize 401(k) Profit Sharing
- More Extensive Pension Grandfathering
- Manage Health Benefit Differences

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